

AMENDED IN SENATE APRIL 18, 2016

SENATE BILL

No. 1076

Introduced by Senator Hernandez

February 16, 2016

An act to amend Section 128740 of, and to add Section 1253.7 to, the Health and Safety Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

SB 1076, as amended, Hernandez. General acute care hospitals: observation services.

(1) Existing law establishes the State Department of Public Health and sets forth its powers and duties, including, but not limited to, the licensing and regulation of health facilities, including, but not limited to, general acute care hospitals. A violation of these provisions is a crime.

Existing law authorizes the department to issue a special permit authorizing a health facility to offer one or more special services when specified requirements are met. Existing law requires general acute care hospitals to apply for supplemental services approval and requires the department, upon issuance and renewal of a license for certain health facilities, to separately identify on the license each supplemental service.

This bill would require a general acute care hospital that provides observation services, as defined, to comply with the same ~~staffing standards~~ *licensed nurse-to-patient ratios* as supplemental emergency services, as specified. The bill would require that a patient receiving observation services receive written ~~notice immediately upon admission for observation services or placement into observation status, or immediately following a change from inpatient status to observation status,~~ *notice, as prescribed*, that his or her care is being provided on

an outpatient ~~basis~~. *basis, which may affect the patient's health coverage reimbursement.* The bill would require observation units to be identified with specified signage, and would clarify that a general acute care hospital providing services described in the bill would not be exempt from these requirements because the hospital identifies those services by a name or term other than that used in the bill. Because a violation of these provisions by a health facility would be a crime, the bill would impose a state-mandated local program.

(2) Existing law requires a hospital to report specified summary financial and utilization data to the Office of Statewide Health Planning and Development (OSHPD) within 45 days of the end of every calendar quarter.

This bill would require hospitals to include certain data relating to observation service visits and total observation service gross revenues in the reports filed with OSHPD.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1253.7 is added to the Health and Safety
2 Code, to read:
3 1253.7. (a) For purposes of this chapter, "observation services"
4 means outpatient services provided by a general acute care ~~hospital,~~
5 *hospital and that have been ordered by a provider,* to those patients
6 who have unstable or uncertain conditions potentially serious
7 enough to warrant close observation, but not so serious as to
8 warrant inpatient admission to the hospital. Observation services
9 may include the use of a bed, monitoring by nursing and other
10 staff, and any other services that are reasonable and necessary to
11 safely evaluate a patient's condition or determine the need for a
12 possible inpatient admission to the hospital.
13 ~~(b) Notwithstanding subdivisions (d) and (e) of Section 1275,~~
14 ~~observation services provided by the general acute care hospital~~
15 ~~in an outpatient observation unit, including the services provided~~

1 in a freestanding physical plant, as defined in subdivision (h) of
2 Section 1275, shall comply with the same staffing standards,
3 including, but not limited to, licensed nurse-to-patient ratios, as
4 supplemental emergency services.

5 (e) A patient receiving observation services shall receive written
6 notice immediately upon admission for observation services or
7 placement into observation status, or immediately following a
8 change from inpatient status to observation status, that his or her
9 care is being provided on an outpatient basis, and that this may
10 affect reimbursement by Medicare, Medi-Cal, or private payers
11 of health care services, or cost-sharing arrangements through his
12 or her health care coverage.

13 (d) Observation units not provided in inpatient beds or attached
14 to emergency services

15 (b) When a patient in an inpatient unit of a hospital or in an
16 observation unit, as defined in subdivision (c), is receiving
17 observation services, or following a change in a patient's status
18 from inpatient to observation, the patient shall receive written
19 notice, as soon as practicable, that he or she is on observation
20 status. The notice shall state that while on observation status, the
21 patient's care is being provided on an outpatient basis, which may
22 affect his or her health care coverage reimbursement.

23 (c) For purposes of this chapter, "observation unit" means an
24 area in which observation services are provided in a setting outside
25 of any inpatient unit and that is not part of an emergency
26 department of a general acute care hospital. A hospital may
27 establish one or more observation units that shall be marked with
28 signage identifying the observation unit area as an outpatient area.
29 The signage shall use the term "outpatient" in the title of the
30 designated area to indicate clearly to all patients and family
31 members that the observation services provided in the center are
32 not inpatient services. Identifying an observation unit by a name
33 or term other than that used in this subdivision does not exempt
34 the general acute care hospital from compliance with the
35 requirements of this section.

36 (e) Observation services shall be deemed outpatient or
37 ambulatory services that are revenue-producing cost centers
38 associated with hospital-based or satellite services locations that
39 emphasize outpatient care. Identifying an observation unit by a
40 name or term other than that used in this subdivision does not

~~exempt the general acute care hospital from compliance with the requirements of this section.~~

(d) Notwithstanding subdivisions (d) and (e) of Section 1275, an observation unit shall comply with the same licensed nurse-to-patient ratios as supplemental emergency services. This subdivision is not intended to alter or amend the effect of any regulation adopted pursuant to Section 1276.4 as of the effective date of the act that added this subdivision.

SEC. 2. Section 128740 of the Health and Safety Code is amended to read:

128740. (a) Commencing with the first calendar quarter of 1992, the following summary financial and utilization data shall be reported to the office by each hospital within 45 days of the end of every calendar quarter. Adjusted reports reflecting changes as a result of audited financial statements may be filed within four months of the close of the hospital's fiscal or calendar year. The quarterly summary financial and utilization data shall conform to the uniform description of accounts as contained in the Accounting and Reporting Manual for California Hospitals and shall include all of the following:

- (1) Number of licensed beds.
- (2) Average number of available beds.
- (3) Average number of staffed beds.
- (4) Number of discharges.
- (5) Number of inpatient days.
- (6) Number of outpatient visits, excluding observation service visits.
- (7) Number of observation service visits and number of hours of services provided.
- (8) Total operating expenses.
- (9) Total inpatient gross revenues by payer, including Medicare, Medi-Cal, county indigent programs, other third parties, and other payers.
- (10) Total outpatient gross revenues by payer, including Medicare, Medi-Cal, county indigent programs, other third parties, and other payers.
- (11) Total observation service gross revenues by payer, including Medicare, Medi-Cal, county indigent programs, other third parties, and other payers.

1 (12) Deductions from revenue in total and by component,
2 including the following: Medicare contractual adjustments,
3 Medi-Cal contractual adjustments, and county indigent program
4 contractual adjustments, other contractual adjustments, bad debts,
5 charity care, restricted donations and subsidies for indigents,
6 support for clinical teaching, teaching allowances, and other
7 deductions.

8 (13) Total capital expenditures.

9 (14) Total net fixed assets.

10 (15) Total number of inpatient days, outpatient visits excluding
11 observation services, observation services, and discharges by payer,
12 including Medicare, Medi-Cal, county indigent programs, other
13 third parties, self-pay, charity, and other payers.

14 (16) Total net patient revenues by payer including Medicare,
15 Medi-Cal, county indigent programs, other third parties, and other
16 payers.

17 (17) Other operating revenue.

18 (18) Nonoperating revenue net of nonoperating expenses.

19 (b) Hospitals reporting pursuant to subdivision (d) of Section
20 128760 may provide the items in paragraphs (8), (9), (10), (12),
21 (16), and (18) of subdivision (a) on a group basis, as described in
22 subdivision (f) of Section 128760.

23 (c) The office shall make available to any person, at cost, a hard
24 copy of any hospital report made pursuant to this section and in
25 addition to hard copies, shall make available at cost, a computer
26 tape of all reports made pursuant to this section within 105 days
27 of the end of every calendar quarter.

28 (d) The office shall adopt guidelines, by regulation, for the
29 identification, assessment, and reporting of charity care services.
30 In establishing the guidelines, the office shall consider the
31 principles and practices recommended by professional health care
32 industry accounting associations for differentiating between charity
33 services and bad debts. The office shall further conduct the onsite
34 validations of health facility accounting and reporting procedures
35 and records as are necessary to ensure that reported data are
36 consistent with regulatory guidelines.

37 SEC. 3. No reimbursement is required by this act pursuant to
38 Section 6 of Article XIII B of the California Constitution because
39 the only costs that may be incurred by a local agency or school
40 district will be incurred because this act creates a new crime or

1 infraction, eliminates a crime or infraction, or changes the penalty
2 for a crime or infraction, within the meaning of Section 17556 of
3 the Government Code, or changes the definition of a crime within
4 the meaning of Section 6 of Article XIII B of the California
5 Constitution.

O